

EXHIBIT 6



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 5, 1995

MEMORANDUM TO UNDER SECRETARY JOHN D. HAWKE

FROM: Jeannine Jacokes
Interim Coordinator
CDFI Fund

SUBJECT: CDFI Regulations

At your August 25, 1995 meeting with Kirsten Moy on the CDFI Interim Regulations, you raised several issues with respect to the Community Development Financial Institutions (CDFI) Program. Kirsten recommended that I prepare this memorandum to discuss how the Interim Regulations have been changed to reflect your comments.

I. Maximizing Flexibility

In response to your desire to maximize the Fund's flexibility and discretion, the following modifications have been made:

- (1) Waiver Authority: A general "waiver authority" provision has been added to give the Fund discretion to waive any provision of the Interim Regulations (provided it is done in a manner that is consistent with the authorizing statute). Only program-wide waivers will be issued. No case-by-case waivers will be permitted in order to protect the Fund from accusations that waivers are issued in an arbitrary manner or one applicant is treated more favorably than another.
- (2) Eligibility Requirements (see below)
- (3) Rating and Selection (see below)

II. Eligibility Requirements

A. Financial Institutions Test

In response to your concerns regarding explicitly defining in the regulations an asset, capital, or operating expense test for non-insured institutions, such tests have been eliminated. Instead, applicants will be asked to submit their financial statements. Fund staff will analyze the statements and make an assessment of whether the applicant's "predominant" business activity is the provision of loans and Development Investments. The Fund will also examine an applicant's annual reports, organizational documents, and other information submitted as part of the applicant. In making its evaluations, the Fund

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will take into consideration an applicant's institutional type, total asset size, and stage of organizational development.

B. Primary Mission and Target Market Tests

The regulations have been modified in response to your concern about the feasibility -- given the variety of activities each applicant might be engaged in -- of requiring applicants to demonstrate that a specific percentage of their activities are dedicated to community development/target markets. The current draft eliminates such percentages and modifies the Interim Regulations to give the Fund significant flexibility in assessing applicants past performance and projected activities. Under the Primary Mission test, an applicant must now demonstrate that its (and its affiliates) activities are "principally" dedicated to community development. Under the Target Market test, an applicant must demonstrate that its activities "predominantly" benefit its Investment Area(s) or Targeted Population(s).

C. "Counting" Activities

In regard to the Primary Mission and Target Market tests, a question was raised as to whether it is feasible to combine the disparate activities of an applicant and count them in a single performance measure. The Interim Regulations have been modified to allow applicants to select indicators that "are appropriate given the nature of the products and services it offers." The Fund will not prescribe specific indicators or methods for "counting" activities. Instead, applicants will have discretion to select their own indicators and will be required to "make their case" to the Fund as to whether they meet the Primary Mission and Target Market tests.

III. Evaluation and Selection Process

As a means of achieving your goal of maximizing the Fund's flexibility, the Interim Regulations have been modified to eliminate the "point system" used to evaluate and select applications. The Interim Regulations will simply discuss the Tiered Review process and the criteria used to evaluate applicants. The regulations will not discuss the relative weights assigned to each group of criteria, nor how the criteria will be applied in the evaluation process. Thus, the Fund's discretion in evaluating applications will be maximized.

IV. Decision Making/Access to Information

In response to your desire to protect the Fund and Treasury from criticism that its decision-making is politically motivated or arbitrary, the preamble to the Interim Regulations will explicitly state that all written materials and records of the Fund are fully subject to the Freedom of Information Act (FOIA). The Office of General Counsel has indicated that FOIA is quite broad and can address the concerns about public access to the Fund's records. However, the authorizing statute does place some limitations on

the types of information the Fund can disclose regarding specific Awardees. Section 115(e)(1) of the authorizing statute states that:

"The Fund, after deleting or redacting any material as appropriate to protect privacy or proprietary interests, shall make such [annual] reports [of Awardees] submitted under paragraph (1) available for public inspection."

V. Retained Earnings

Your concern about permitting retained earnings to be used to meet the matching requirements, cannot be addressed. The Conference Report that accompanied the authorizing statute clearly stated that such earnings could be used for matching purposes.

VI. Oversight and Monitoring

In response to your desire to ensure that the Fund has effective monitoring and oversight systems, the Fund has asked the Office of Inspector to General (OIG) to assist in developing its systems. The OIG has also reviewed and commented on the Interim Regulations and draft application materials.

Review Process

The CDFI Fund's regulations have been reviewed by:

- (1) Treasury: Office of Financial Institutions, Office of General Counsel, Office of Inspector General, and Office of the Fiscal Assistant Secretary.
- (2) CDFI Fund Interagency Working Group: Departments of Housing and Urban Development, Agriculture, Interior and Commerce, Office of Management and Budget, Small Business Administration, and Federal Housing Finance Board.
- (3) Banking Regulators: Office of the Comptroller of the Currency, Office of Thrift Supervision, Board of Governors of the Federal Reserve, Federal Deposit Insurance Corporation, and National Credit Union Administration.

The Fund staff will work to obtain Departmental clearance by the end of this week. The package will be reviewed by the Office of Management and Budget (OMB). It is anticipated that OMB will recommend some modifications. If Treasury has any additional changes to the regulations, such modifications may be incorporated at that time.

cc: Sarah Cavandish, Office of the Under Secretary for Domestic Finance
Michael Barr, Office of the Secretary
Fe Morales Marks, Office of the Financial Institutions Policy
John Bowman, Office of General Counsel
Maurice Jones, Office of General Counsel
Valerie Lau, Office of Inspector General
Gerald Murphy, Office of Fiscal Assistant Secretary

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SUBPART H -- RATING AND SELECTION OF APPLICATIONS

- Applicants will be rated and selected to receive assistance based on a multi-tiered review process that is intended to:
 - (a) screen out Applicants that do not meet the basic program requirements (Tier I) or possess adequate capacity to be a successful CDFI (Tier II);
 - (b) take into consideration the unique characteristics of institutions that vary by institution type, asset size, status of organizational development, markets served products and services provided, and location; and
 - (c) Rank the remaining Applicants (Tier III)
- Tier I Review -- Tier I of the review process is intended to ensure that the Applicant meets basic eligibility requirements and has submitted complete application materials
- Tier II Review -- The Fund will examine a number of criteria in evaluating organizational capacity and an Applicant's likelihood of achieving the goals of the Comprehensive Business Plan, including the strength of the management team and other key personnel, the quality of its financial management policies, the extent of its financial resources, the depth of its market analysis, and trends in financial and operating performance
- Tier III Review -- The Fund will rate each application meeting Tier I and Tier II requirements and award points based on the selection criteria. An application may receive up to 100 points, with the points distributed in the following categories:
 - Organizational [and financial] capacity (up to 50 points); rating based on an evaluation of the information described in Tier II
 - External resources (up to 20 points); rating based on such factors as the amount of firm commitments to meet or exceed the matching requirements and the likelihood of raising the balance of the match in a timely way; or the extent to which matching funds are or will be derived from private sources or new investments
 - Community impact (up to 30 points); rating based on such factors as the extent of economic distress within the designated Investment Area(s); the need for loans, equity investments, and Development Services within the Area; or the extent to which the activities proposed in the Comprehensive Business Plan will expand economic opportunities within the Area

(CDFI-8)

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- Bonus Points -- The Fund may add up to five bonus points to certain applications meeting Tier II requirements to facilitate geographic diversity, but only if the Fund deems that without such action certain types of communities or regions will not be adequately served; up to 10 bonus points may be added to applications that have secured firm commitments for all matching funds at the time of submission to facilitate community impact in a timely manner; the criteria for awarding such bonus points shall be described in the NOFA for a particular round

EXHIBIT 7

- She directed me to write the memo, spec that insider feeding stuff to beaches, she was concerned that Clinton could be entrained.
- Then I felt bad, they wasn't done. I should have done these much earlier. She asked me to write them. I said I will stay up all night.

— Who's decision not to date the memos?

I would say it was my responsibility, but my counsel concurred not to date the memos.

In my conversation w/ Kirsten she perceived an unfair political attack from Rep in Congress out to embarrass a priority program for Pres.

- I would have written them in near future because I had them on my agenda for that weekend
- Kirsten asked some question about dating the memos. She was concerned about dating them (back dating) is there an appropriate ~~then~~ way to date them.
- I don't think it's appropriate for any date except today's date if we date it.

EXHIBIT 8

Don Bord's Observations

I found very little consistency in reviewing the various reviewer's "Evaluations." If staff had prepared any written guidance/instructions for the reviewers, it should have been provided to each reviewer prior to commencing. To help the Final review team evaluate each proposal on an equal basis, the reviewer should have been instructed to provide their assessment in a similar format.

In many instances, it appeared that the reviewer only reiterated what was provided in the proposal. Many of the evaluations provided the strengths of the proposal, but said little regarding any concerns or reservations, while other reviewers covered both basis. I found in several reviews contradictory statements. For example, one reviewer recommended funding the proposal while acknowledging the quality of the business plan was poorly focused.

In one instance, the reviewer did not recommend the application for further consideration, but the applicant was funded. In most situations I found questions raised by the reviewers that should have generated correspondence to address the concerns. I found no documentation that explained why the applicant was funded.

The regulations listed what the applicant needed to provide (**1805.701 Application content**) to be considered for CDFI funding. The regulations also provided the criteria (**1805.802 Tiered review process**) that would be used in reviewing each application. In some instances, it became difficult to see how the criteria listed matched the application content. Furthermore, the factors discussed by staff during the January 7th CDFI Advisory Board Meeting did not coincide with the regulations.

I've had a chance to review almost all of the reviewer's critiques. Where appropriate, I've underlined as many of the reviewer's concerns that I could locate. The upshot is that in almost all instances, the reviewers identified areas that the final review team should have addressed before recommending approval to the Director. There is no indication that this did take place.

EXHIBIT 9

GDFI AWARDS

7/1/96

16 July ^(Fries) earliest announcement

- turn down ltr & acceptances (266)
- final materials; reg. consult; IG ok

30 winners

oral over-represented
diversity of type

14 banks

50-60 credit unions

5-6 credit unions

micro-funds

venture-funds

loan funds

CITIES

KANSAS CITY, ^(No OK KS) bank

DETROIT ^(Shubert) bank

NYC ^{extra} - credit union in

Bronx EZ

Phil.

partly in EZ

loan fund

Pitts.

loan fund

Cleveland

- credit union

(Shubert) - vent. K (in Supp EZ)

- Stokes

Louisville KY

- bank; loan fund; venture fund

Boston

- loan fund

San Antonio

- micro fund

Richmond VA

- housing loan fund

Seattle WA

- bus. loan fund (Stokes)

(Sacramento

- housing loan fund)

(SF

- housing loan fund)

(Chicago - not the best) - nonprofit sketchy
community source fund

Jackson Miss - delta loan fund

(Juneau Alaska - Nat Amer fund)

(ARIZ., window rock - nat amer fund)

(Barlington VT)

- loan fund

(Concord NH)

- loan fund

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- KY (Appalachia) - housing fund
- vent. K fund
- N.C. Durham - loan fund (venture K)
- Charlotte - credit union (vent)
- Miss. Delta - credit union
- Duluth, Minn - rural NE (venture K)
- Santa Cruz, CALIF - credit union
- (or Watsonville)
- Arkansas - Southern Agr Bancorp (Florus)
- Balt/Wash - micro

"Startup"

- ① Lansville - effort started in '92 - Jerry Abrahamson is mayor

KY has 3 winners (2 in Appalachia)

A/A of, grew up in pub housing, Pres ~~of~~ in day co.
focus on business
bank support

5 BEA → Lansville bank inst.

+ gift to nonprofit affiliate

Startup. Just filed w/state charter (PDK)

CEO is local banker

EC there too

\$2m; \$12-13m match

CDI is key to capitalization of bank

Site?? (no bldg. yet)

- ② Kansas City, Mo ~~\$1.5m~~
- oldest A/A owned bank west of Miss
- siki → recently est. loan office in Mo
- will open full service branch
- affiliates w/ neighborhood group
- (Chicago) - good rel = 1 BOND
- '90-'91 desperate shape (FDIC order etc)
- Shorebank came in, fixed, made cd bank
- A/A CEO; Douglas Bancorp
- \$? up to 1.6m; 1:1 match?
- A/A owned

- ③ Detroit, MI

- big urban challenge

- Shorebank expansion (holding co.)
(not bank right away)

- in EZ; using EZ \$

- Anchor supportive

- Carl Levin is up

- \$3m; match \$12m; 4:1 to pare
18-20 total (6:1)

- "Detroit Renaissance" by CEC's (84%)

- loan production office?
sk? (from community grp.)

CDFI

7/1/96

Approps ^{Sen.} Subcomm. meeting next wk w/JH
& can then floor &

RER - Bonds, Mikowski
Campbell?

- Hatfield, Byrd
- LTR.

(What allocate?)

Byrnes
Bennett
Stevens
Shelby

Leddy
Johnston
Lorenson
Kerry
(web.)

To subcomm.

(4) Cleveland

majority venture K (part of Sharebank)
in Supp EZ (caterinas)

job creation

Start up

Very low income

1.5m CDFI
match 3:1

credit union
not leads.

~~started~~ A/A Church credit union (C4M)

local group w/stakes ties

run by elderly A/A & Am community

local support strong; funds 2/3 from ^{rep Cleveland} state ^{ministry} (C4M)
\$200,000 CDFI; 1:1

18 of 31 took to EZ/EC

220010

EXHIBIT 10

9610051

EXECUTIVE SECRETARIAT CORRESPONDENCE COVER SHEET

13-May-96

ACTION REQUIRED

PROFILE #: 1996-SE-003461

DATE CREATED: 05/10/96

ADDRESSEE: Robert E. Rubin
Secretary

AUTHOR: Clinton, Bill
White House

SUBJECT: CC Of Letter To William F. Winter Re Application Of Foundation For The Mid South For Community Development Financial Institute Fund Designation

ABSTRACT: CC of letter to William F. Winter, Watkins Ludlam & Stennis, regarding the application of the Foundation for the Mid South for a Community Development Financial Institute Fund designation.

TASK ASSIGNMENT MEMORANDUM

REQUIRED ACTION: No Reply Necessary

DISTRIBUTION: US, DOMESTIC FINANCE
CHIEF OF STAFF
EXECUTIVE SECRETARIAT

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CDFI

MAY 13 1996

FUND

1996-SE- J03461**(COPY)**THE WHITE HOUSE
WASHINGTONDATE: 5/9/96

NOTE FOR: SECRETARY RUBIN

The President has reviewed the attached, and it is forwarded to you
for your:Information ☒Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

211607

THE WHITE HOUSE
WASHINGTON

May 2, 1996

The Honorable William F. Winter
Watkins Ludlum & Stennis, P.A.
Post Office Box 427
Jackson, Mississippi 39205-0427

Dear Bill:

Thank you for your letter advising me of the subsidiary corporation created by Foundation for the Mid South to aid in economic development in the Delta area. Because of our interest and early involvement with the Foundation, both Hillary and I are gratified by the continued successes stories from your efforts.

I have forwarded a copy of your letter to Secretary Rubin at the Department of the Treasury to let him know of your personal recommendation regarding the Enterprise Corporation's application to the Community Development Financial Institution's Fund for a \$3 million grant.

All best wishes to you.

Sincerely,



211603

Memo

Watkins Ludlam & Stennis, P.A.

A Professional Association

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April 16, 1996

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The Honorable Bill Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500-2000

Dear Mr. President:

Since you were so instrumental in helping us get the Foundation for the Mid South organized several years ago, I thought you would be interested in knowing what a successful enterprise it has become. Don Munro incidentally is now its chairman.

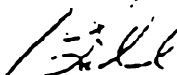
One of the most impressive things that the Foundation has done has been to create a subsidiary corporation to serve as its economic development arm to spur business expansion and job creation in the Delta area of the three states. This organization is known as the Enterprise Corporation of the Delta and has already achieved some impressive results.

The Enterprise Corporation has submitted an application to the Community Development Financial Institution's Fund at the Department of the Treasury for a \$3 million grant to expand ECD's ability to service the obvious needs of Delta area businesses. ECD is almost uniquely equipped to handle this role because of its regional development strategy which extends across state lines and because of its strong involvement with the region's private and public sectors.

I hope, therefore, that you can see your way clear to indicate your support for this application, which can do much for the region.

Let me thank you for your many kindnesses to me. In the meantime I wish you the best. You have my continuing support and best wishes in the great job that you are doing.

Sincerely,



William F. Winter

WFW/sjt

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